

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF SAN BERNARDINO COUNTY, CALIFORNIA  
AND RECORD OF ACTION**

28

November 30, 2004

**FROM:** THOMAS L. SUTTON, Director

**SUBJECT: RESOLUTION FOR THE DEDICATION OF A CAPITAL RESERVE FUND AND REVENUE SOURCE DEDICATION FOR REPAYMENT OF STATE REVOLVING LOAN FUND, COUNTY SERVICE AREA 70, IMPROVEMENT ZONE B, EFFLUENT STORAGE POND**

**RECOMMENDATION:** Acting as the governing body of County Service Area 70, Improvement Zone B, (CSA 70 B), adopt Resolution No. 2004-\_\_\_\_ pertaining to the dedication of a reserve fund and contributions, and revenue source dedication for the repayment of a \$250,000 infrastructure improvement loan from the State Revolving Loan Fund over a ten-year period.

**BACKGROUND INFORMATION:** On February 26, 2002 the Board approved Resolution No. 2002-38 authorizing the Special Districts Department to submit an application to the State Water Resources Control Board (SWRCB) to fund the construction of an additional effluent storage pond in CSA 70 B to increase wastewater treatment reliability and avoid potential violations of waste discharge requirements.

The Division of Financial Assistance (DFA) of the SWRCB approved the loan on April 18, 2003 and committed an amount not to exceed \$427,000 for an SRF loan to construct the effluent treatment pond. The bids for the construction of the project came in significantly lower than the original estimates and the estimate for the completion of all aspects of the project at this time is \$250,000.

On June 15, 2004 the Board awarded a construction contract in the amount of \$200,027 for the construction of the 2.5 million-gallon percolation pond. On that date, the Board also approved Resolution No. 2004-13 pertaining to project reimbursements from the SWRCB to CSA 70 B for the contractors work on the project.

The Revenue Section of the DFA is ready to finalize and issue the loan documents. Prior to their issuance, the SWRCB requires that the Board adopt a Resolution dedicating a Capital Reserve Fund, requiring a contribution of the total loan amount in installments for a ten-year period to the Reserve, and dedicating a source of revenue (sewer user charges and sewer standby fees) for the repayment of the state revolving fund loan. The Special Districts Department established Capital Reserve Funds for all the Board-governed water and sanitation districts in 1999. The revenue for the repayment of the loan and the reserve contributions have been included in the long-term financial projections for the district. At the end of the repayment of the loan, the contributions to the Capital Reserve Fund will remain with CSA 70 B.

Approval of this action dedicates the use of the capital reserve, the budgeting and transfer of the yearly contribution to the Reserve and commits the repayment of the loan amount from the user fees generated by the district. The final loan documents will be brought to the Board for approval in a subsequent Board action.

**REVIEW AND APPROVAL BY OTHERS:** This item has been reviewed by County Counsel (L. Thomas Krahelski, Deputy County Counsel, 387-5436) on November 15, 2004, and the County Administrative Office (Wayne Theis, Administrative Analyst, 387-5409) on November 17, 2004.

Record of Action of the Board of Supervisors

28

**FINANCIAL IMPACT:** Approval of the above recommendations meets the requirement of the SWRCB to transfer 5% of the total loan amount for a over ten year period ( $\$250,000 \times .05/10$ ), which is \$1,250 annually to the Capital Replacement Reserve (EIT 125). Repayment of the loan amount will be budgeted each fiscal year in the District's operating account, and is funded by sewer user charges and sewer standby fees.

**COST REDUCTION REVIEW:** The County Administrative Office has reviewed this agenda item and concurs with the department's request and recommends this action based on the need to comply with requirements established by the SWRCB in connection with the state revolving fund loan. The expenditures for this service are funded within the District operating budget and will have no impact on the County's General Fund.

**SUPERVISORIAL DISTRICT(S):** First

**PRESENTER:** Thomas L. Sutton, 387-5940